



Department of Energy
Richland Operations Office
P.O. Box 550
Richland, Washington 99352

FEB 20 1996

96-RTI-029

Prospective Offerors

REQUEST FOR PROPOSALS (RFP) NO. DE-RP06-96RL13308

The Department of Energy (DOE), Richland Operations Office (RL) is seeking competitive proposals for Hanford waste tank treatment services in accordance with the attached RFP. This letter provides some salient features of the RFP but is not an integral part of the RFP. In the event of a conflict between this letter and the RFP, the RFP shall take precedence.

In this procurement, DOE is inviting industry to use the innovative and competitive power of the private marketplace to bring new ideas, new concepts, and new partners to the accomplishment of DOE objectives. The overall goal of the privatization framework embodied in the RFP is to sharpen mission focus, improve performance, and save taxpayer dollars without, in any way, sacrificing the standards of radiological and industrial safety and environmental protection.

This RFP is for the first phase of a two-phased approach to privatizing the processing of hazardous and radioactive waste at the Hanford Site. To provide the services covered by the RFP, the successful contractor(s) will be expected to establish the required technical, operational, regulatory, business, and financial elements, and if further authorized, to finance, construct, equip, operate and deactivate a demonstration facility for the treatment of waste envelopes. Offerors are required to propose treatment of three waste envelopes of Low-Activity Waste. Additionally, Offerors will be given the option to also propose treatment of one waste envelope of High-Level Waste.

The RFP reflects the needs of the Government, and responds to the concerns of industry as determined from the many comments received in response to the Draft RFP.

A brief background discussion of the privatization strategy and additional information follow.

BACKGROUND

Radioactive waste has been stored in large underground storage tanks at the Hanford Site since 1944. Approximately 56 million gallons of waste containing approximately 240,000 metric tons of processed chemicals and 177 mega-curies of radionuclides are currently being stored in 177 tanks. These caustic wastes are in the form of liquids, slurries, saltcakes, and sludge. In 1991, the Tank Waste Remediation System (TWRS) Program was established to manage, retrieve, treat, immobilize, and dispose of these wastes in a safe, environmentally sound, and cost-effective manner.

The TWRS pathway for cleanup is formally documented in the Hanford Federal Facility Agreement and Consent Order, commonly known as the Tri-Party Agreement or TPA. Under the TPA, DOE, the U.S. Environmental Protection Agency (EPA), and the Washington State Department of Ecology have agreed to a timetable for cleanup of the Hanford Site.

PRIVATIZATION STRATEGY

DOE believes that it is feasible to privatize portions of the TWRS Program. In pursuing the privatization concept, DOE is changing its traditional contracting approach. Since its inception, the TWRS Program contracting strategy has involved a Government-owned, contractor-operated facility operating under cost-plus-award-fee contracts. Under the privatization strategy embodied in the RFP, DOE will be purchasing services from a contractor-owned, contractor-operated facility under a fixed-price type of contract. DOE will be able to purchase an identifiable, measurable service that provides deliverables that are clearly specified. The Contractor must finance the project; design the equipment and facility; apply for and receive required permits and licenses; construct the facility and bring it on-line; operate the facility to treat waste; and deactivate the facility. The Contractor can recover the resources it has invested only through the delivery of acceptable services paid for by DOE on a fixed-unit-price basis. The underlying intent is to transfer from the Government to the Contractor the primary share of the financial, performance, and operational responsibility for the treatment effort. This involves an allocation of project risks in an equitable manner that both protects the interests of the Government and encourages industry participation.

The concept employed in the RFP employs the privatization approach of minimal control by the customer (DOE) over the Contractor's activities. However, because of the hazardous nature of the Hanford waste, the TWRS privatization Contractor must operate in a multi-tiered regulatory environment. DOE's approach is to utilize, to the extent possible, established and functioning external regulatory authorities without requiring the contractor to go through DOE. DOE, as regulator, will retain regulatory oversight responsibility for radiological, nuclear, and process safety, and certain aspects of environmental compliance.

Phase I

This RFP covers only Phase I of the TWRS privatization strategy. Phase I is a proof-of-concept/commercial demonstration-scale effort whose objectives are to: demonstrate the technical and business viability of using privatized facilities to treat Hanford tank waste; define and maintain required levels of radiological, nuclear, process, and occupational safety; maintain environmental protection and compliance; and substantially reduce life-cycle costs and time required to treat Hanford tank waste. The Phase I effort consists of Part A and Part B.

Part A

Part A is a twenty-month development period to establish the technical, operational, regulatory, business, and financial elements required by privatized facilities that will provide tank waste treatment services on a fixed-unit-price basis. Of this twenty-month period, sixteen months will be used by the contractor to complete deliverables; four months will be used by DOE to review and evaluate the deliverables and to authorize initiation of Part B performance.

It is anticipated that multiple offerors will be selected to perform Part A. Each contract will specify a single firm-fixed price for completion and delivery of all work covered by Part A. Upon acceptance by DOE of all the Part A work, payment will be made. (An additional firm-fixed price is specified in the event the Offeror also proposes for High-Level Waste treatment services.)

Part B

Based on Part A performance, one or more of the contractors who successfully performed Part A will each be authorized to perform waste treatment services for DOE in Part B. The waste treatment services will be paid for by DOE on a fixed-unit-price basis as specified in each of the contracts.

Part B is a demonstration to provide tank waste treatment services at fixed-unit prices. Three Low-Activity Waste envelopes are identified for Part B. If the Contract includes High-Level Waste treatment services, one High-Level Waste envelope will also be provided. These waste envelopes are representative of the range of Hanford tank waste. The demonstration period will range between 10 and 14 years. Wastes will be processed during a 5- to 9-year period of Part B and will result in 6 to 13 percent of the total Hanford tank waste being treated. Part B will conclude with completion of deactivation (1 additional year).

Phase II

Phase II is not a part of this RFP, but is projected to be the subject of a future competitive solicitation. Phase II would be the full-scale production phase, in which the facilities would be configured so all of the remaining waste can be processed on a schedule that will accommodate removing the waste from single-shelled tanks by the year 2018. The objectives of Phase II would be to: implement the lessons learned from Phase I; process all tank waste into forms suitable for final disposal; achieve price competition and cost savings throughout the Phase II effort; and meet or exceed the TPA benchmark performance milestones.

ADDITIONAL INFORMATION

This RFP will be made available to those who request it in writing from the following address:

U.S. Department of Energy
Richland Operations Office
P.O. Box 550, MSIN K6-51
Richland, WA 99352

The RFP is also available on the Internet at:

http://twins.pnl.gov:8001/twrs_rfp/homepage.htm

At this time, it does not appear that an Offeror selected for this solicitation would have a conflict of interest in also proposing on the Project Hanford Management Contract. It is the intent of DOE to define the roles and interfaces of the TWRS Privatization Contractor and the Project Hanford Management Contractor so that there is not a conflict or if there is an actual or perceived conflict, it can be mitigated.

A DOE/RL Public Reading Room, containing references and background information on various aspects of the RFP, has been established at Washington State University, Tri-Cities Campus, 100 Sprout Road, Room 130 West, Richland, Washington. A list of the documents that have been placed in the Reading Room is included as *Attachment 1* in *Section J*, and *Attachment 6* of *Section L*, of the RFP.

An unclassified preproposal conference and tour of the site will be held in Richland, Washington, for all interested parties who seek more information on the RFP. The conference will take place on Thursday, March 7, 1996, and Friday, March 8, 1996. The tour will take place on March 8, 1996.

Proposals are due no later than 4:00pm, Pacific Standard Time on April 15, 1996.

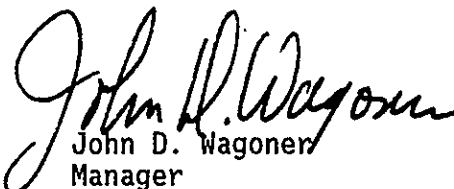
The hundreds of comments on the Draft RFP received from industry, stakeholders and other interested parties, are gratefully acknowledged. The broad spectrum of expectations and concerns expressed in these comments has been enormously valuable in shaping the final version of the RFP. I believe that the RFP responsively addresses the issues raised by industry, regarding such matters as regulatory framework; product acceptance criteria; decommissioning and decontamination in the scope of work; allocation of risk; and not-to-exceed prices at time of proposal.

Offerors/Interested Parties
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I believe you will find that the RFP reflects resolution of these and other issues which have been raised. Further, I think you will agree that the RFP provides a fair opportunity for each potential Offeror to: 1) help solve an important national problem in a cost-effective manner; and 2) secure an advantageous commercial arrangement.

Sincerely,


John D. Wagoner
Manager

RTI:CS

Attachment